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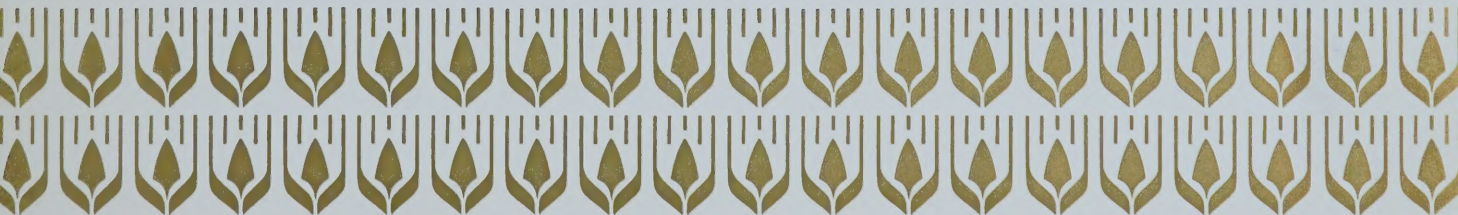
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General Bakeries Limited

Annual Report

For the Year Ended April 2, 1969





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General
Bakeries
Limited

Annual Report
for the year
ended April 2
1969

EXECUTIVE OFFICES

170 THE DONWAY WEST

DON MILLS, ONTARIO

General Bakeries Limited

Directors

W. M. Vacy Ash—Toronto
Member of the Executive Committee

Christie T. Clark—Toronto
Member of the Executive Committee

J. C. P. Conrad—Toronto
Member of the Executive Committee

T. G. Gedge—Toronto

Grant Horsey—Toronto

Edwin C. McDonald—New York

John A. McDougald—Toronto
Chairman of the Executive Committee

J. Ernest Savard—Montreal

S. R. Saxby—Montreal

J. P. Walwyn—Toronto

Officers

W. M. Vacy Ash—*Chairman of the Board*

J. C. P. Conrad—*President*

R. J. Langley—*Vice-President and Ass't. General Manager*

T. G. Gedge—*Vice-President—Finance and Secretary-Treasurer*

F. R. Filion—*Vice-President—Personnel and Industrial Relations*

Auditors

Thorne, Gunn, Helliwell & Christenson, Toronto

Solicitors

Fraser & Beatty, Toronto

Registrar & Transfer Agent

Crown Trust Company, Toronto, Montreal and Vancouver

Bankers

Canadian Imperial Bank of Commerce

Banque Canadienne Nationale

The Bank of Nova Scotia

Financial Highlights

		<u>1969</u>	<u>1968</u>
Income from operations	- - - - -	\$ 323,484	\$ 250,597
Equal per share to	- - - - -	.43	.34
Net income for the year	- - - - -	323,484	501,362†
Equal per share to	- - - - -	.43	.67†
Dividends declared	- - - - -	187,500	187,500
Equal per share to	- - - - -	.25	.25
Shareholders' equity	- - - - -	5,113,885	4,977,901
Equal per share to	- - - - -	6.82	6.64
Equity capital invested			
Working capital	- - - - -	991,656	1,185,441
Special refundable tax	- - - - -	18,545	46,226
Fixed assets, less accumulated depreciation	-	4,704,183	4,308,233
Goodwill	- - - - -	1	1
		<u>5,714,385</u>	<u>5,539,901</u>
Deduct:			
First mortgage payable	- - - - -	270,000	270,000
Deferred income taxes	- - - - -	330,500	292,000
		<u>\$5,113,885</u>	<u>\$4,977,901</u>
Gross expenditures for fixed assets during year	-	\$1,066,370	\$1,490,272

†Includes a non-recurring profit of \$250,765 on sale of western Canada businesses and expropriation of Toronto plant, equal per share to 33 cents.

Report to the Shareholders

For the year ended April 2, 1969

During this fiscal year the company's resources and energies were largely devoted to the important task of adjusting to the enlarged size of the organization and the expansion of plants and equipment necessary to cope with the additional volume of sales from the acquisition of the Wonder chain of bakeries. The solution of these and many other problems created as a result of the acquisition is largely behind us but the abnormal costs involved had an effect on the operating income for the year. Nevertheless income from operations for the year increased to \$323,484 or 43 cents per share. This compares with \$250,597 or 34 cents per share for last year. It should, however, be pointed out that last year a non-recurring profit of \$250,765 or 33 cents per share from the sale of the western Canada plants and businesses together with the expropriation of our Carr Street plant in Toronto increased the final net income for the year to \$501,362 or 67 cents per share.

Consolidated sales were out of all comparison with previous years. They reached a record high of \$34,311,000, an increase of 38% over the total for 1968. Here again it should be noted that in the fiscal year under review, consolidated sales include a full twelve months of sales from the Wonder Bakeries acquisition, whereas last year's figures include only six weeks of these sales. The increase in sales revenue excluding the Wonder sales would be in the neighbourhood of 5%. This is considered above normal indicating your company continues to improve its market position.

As set forth in the statement of source and application of funds, the cash generated from net income, depreciation and deferred income taxes amounted to \$988,000 or \$1.32 per share compared with \$1,093,000 or \$1.46 per share last year. Total cash requirements for fixed asset additions and dividends exceeded the cash generated by \$194,000 and this amount was obtained from the reduction in working capital. Working capital at the year end amounted to \$992,000.

The acquisition of the Wonder bakery chain in February of 1968 created a challenge to your company's management.

To reverse the long trend of continuous losses in that company we were forced to take rather severe steps in order to integrate the two companies as quickly as possible. Compounding the difficulties was the loss of our largest plant to the City of Toronto by way of expropriation. It was originally planned to renovate and modernize this plant but these plans had to be changed. The entire operation was moved out of the Carr Street plant into the four Wonder plants located at Hamilton, Orillia, Kingston and Toronto where the production facilities had to be realigned to cope with requirements. This major and complicated movement had to be made without interruption of production and without loss of trade.

Capital expenditures on plant and equipment have been substantially increased during each of the last two years. This was necessary in order to meet the additional demands from the expanded volume of business. It was also important to increase productivity to partially offset the spiraling cost of doing business.

The capital program is still under way with expenditures planned to exceed those of previous years. Out of fourteen producing plants six are undergoing expansion and modernization with the major changes taking place in Newfoundland, Montreal and Toronto. While a good deal of the work has been finished there is still much to be completed. The largest project is the expansion of the Toronto plant. Unfortunately the current strike and lockout in the industrial trades in that city have brought the work there to a temporary standstill.

The full benefit of our efforts is not likely to show up in the statement of income until the new facilities at the Toronto plant are in operation and the start-up expenses absorbed.

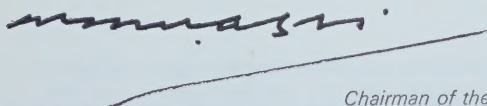
Sincere thanks are extended to our employees, many of whom burned the midnight oil during this past year. Without their interest and support we could not have achieved what we did.

Since our last meeting we have all been saddened by the passing of Mr. J. William Horsey. Mr. Horsey was one of the founders of this company and remained closely associated with it from its inception in 1946. He served as Chairman until his death in December past. Mr. Horsey's profound knowledge of corporate affairs and of the merchandising field in particular, together with his wise judgement are a great loss not only to this company but to the business community as well. He will be sorely missed by his colleagues on the board who join me in this tribute.

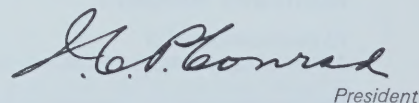
We are pleased that his family name is again associated with the company by the appointment of Mr. Grant Horsey to the board in March of this year.

This has been an action packed year for your company. Maintaining production and service to the trade in spite of the many upheavals created by acquisition, expropriation and expansion was difficult at times. Things are settling down somewhat but there's still much to be done. None-the-less we are more optimistic than ever as we regard this past year as one in which the keel was laid for future growth.

Respectfully submitted on behalf of the Board of Directors.



Chairman of the Board



President

May 22, 1969

General Bakeries Limited

INCORPORATED UNDER THE LAWS OF ONTARIO

and subsidiary companies

<i>Assets</i>		1969	1968
CURRENT ASSETS			
Cash - - - - -		\$1,131,551	\$1,228,066
Accounts receivable, less allowance for doubtful accounts - - -		1,758,686	1,931,069
Inventories, at lower of cost and net realizable value - - - -		959,472	969,414
Prepaid expenses - - - - -		110,012	98,875
		<u>3,959,721</u>	<u>4,227,424</u>
SPECIAL REFUNDABLE TAX - - - - -		18,545	46,226
FIXED ASSETS (note 2)			
Land, buildings and equipment, at cost - - - - -		10,793,896	10,020,201
Less accumulated depreciation - - - - -		6,089,713	5,711,968
		<u>4,704,183</u>	<u>4,308,233</u>
GOODWILL - - - - -		1	1
		<u>1</u>	<u>1</u>
Approved by the Board			
W. M. VACY ASH, <i>Director</i>			
J. C. P. CONRAD, <i>Director</i>			
		<u>\$8,682,450</u>	<u>\$8,581,884</u>

AUDITORS' REPORT

To the Shareholders of
GENERAL BAKERIES LIMITED

We have examined the consolidated balance sheet of General Bakeries Limited and subsidiary companies as at April 2, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Consolidated Balance Sheet,

April 2, 1969

(WITH COMPARATIVE FIGURES AT APRIL 3, 1968)

<i>Liabilities</i>		1969	1968
CURRENT LIABILITIES			
Accounts payable and accrued liabilities - - - - -		\$2,877,503	\$2,995,108
Dividend payable - - - - -		46,875	46,875
Income taxes payable - - - - -		43,687	
		<u>2,968,065</u>	<u>3,041,983</u>
6%% FIRST MORTGAGE, payable \$27,000 semi-annually			
February 19, 1973 to August 19, 1977 - - - - -		270,000	270,000
DEFERRED INCOME TAXES (note 3) - - - - -		330,500	292,000

<i>Shareholders' Equity</i>			
CAPITAL STOCK			
Authorized			
50,000 Preference shares of \$10 par value			
1,500,000 Common shares of no par value			
Issued			
750,000 Common shares - - - - -		1,034,750	1,034,750
RETAINED EARNINGS - - - - -		4,079,135	3,943,151
		<u>5,113,885</u>	<u>4,977,901</u>
		<u>\$8,682,450</u>	<u>\$8,581,884</u>

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 2, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, May 9, 1969

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

General Bakeries Limited and subsidiary companies

Consolidated Statement of Income

YEAR ENDED APRIL 2, 1969 (with comparative figures for year ended April 3, 1968)

	1969	1968
Sales - - - - -	\$34,310,939	\$24,700,346
Costs and operating expenses - - - - -	33,199,472	23,708,012
Depreciation - - - - -	626,042	581,493
Interest on first mortgage - - - - -	18,225	5,766
	<u>33,843,739</u>	<u>24,295,271</u>
	467,200	405,075
Profit on disposal of fixed assets - - - - -	49,784	6,522
Operating income before income taxes - - - - -	<u>516,984</u>	<u>411,597</u>
Income taxes		
Current - - - - -	200,500	151,000
Tax credits from previous year's loss - - - - -	(45,500)	
Deferred - - - - -	38,500	10,000
	<u>193,500</u>	<u>161,000</u>
Income from operations - - - - -	323,484	250,597
Profit on sale of bakery businesses in western Canada and expropriation of Toronto plant- - - - -		250,765
NET INCOME FOR THE YEAR - - - - -	<u>\$ 323,484</u>	<u>\$ 501,362</u>

Consolidated Statement of Retained Earnings

YEAR ENDED APRIL 2, 1969 (with comparative figures for year ended April 3, 1968)

	1969	1968
Balance at beginning of year - - - - -	\$ 3,943,151	\$ 3,629,289
Net income for the year - - - - -	323,484	501,362
	<u>4,266,635</u>	<u>4,130,651</u>
Dividends declared - - - - -	187,500	187,500
BALANCE AT END OF YEAR - - - - -	<u>\$ 4,079,135</u>	<u>\$ 3,943,151</u>

General Bakeries Limited and subsidiary companies

Consolidated Statement of Source and Application of Funds

YEAR ENDED APRIL 2, 1969 (with comparative figures for year ended April 3, 1968)

	1969	1968
SOURCE OF FUNDS		
Net income for the year - - - - -	\$ 323,484	\$ 501,362
Add items not involving a current outlay of funds		
Depreciation - - - - -	626,042	581,498
Deferred income taxes - - - - -	38,500	10,000
	988,026	1,092,855
Special refundable tax - - - - -	27,681	
Book value of fixed asset disposals and retirements - - - - -	44,378	1,257,605
Issue of first mortgage - - - - -		270,000
	<u>1,060,085</u>	<u>2,620,460</u>
APPLICATION OF FUNDS		
Additions to fixed assets - - - - -	1,066,370	1,490,272
Dividends declared - - - - -	187,500	187,500
Decrease in term bank loan - - - - -		225,000
Increase in special refundable tax - - - - -		438
	<u>1,253,870</u>	<u>1,903,210</u>
INCREASE (DECREASE) IN WORKING CAPITAL - - - - -	(193,785)	717,250
Working capital at beginning of year - - - - -	1,185,441	468,191
WORKING CAPITAL AT END OF YEAR - - - - -	<u>\$ 991,656</u>	<u>\$1,185,441</u>

Notes to Consolidated Financial Statements YEAR ENDED APRIL 2, 1969

1. PURCHASE OF BAKERY BUSINESSES

On February 19, 1968 the company acquired the bakery businesses formerly operated by Wonder Bakeries, including certain fixed assets. The consolidated statement of income for the year ended April 3, 1968 includes 45 days operations of these bakery businesses.

	1969		1968	
2. FIXED ASSETS	Cost	Accumulated Depreciation	Net	Net
Land - - - - -	\$ 469,986		\$ 469,986	\$ 330,322
Buildings - - - - -	2,824,955	\$ 887,520	1,937,435	1,717,892
Equipment - - - - -	7,498,955	5,202,193	2,296,762	2,260,019
	<u>\$10,793,896</u>	<u>\$6,089,713</u>	<u>\$4,704,183</u>	<u>\$4,308,233</u>

3. DEFERRED INCOME TAXES

Deferred income taxes in the financial statements result from claiming capital cost allowances for income tax purposes in excess of the depreciation recorded in the accounts.

4. OTHER STATUTORY INFORMATION

The direct remuneration of directors and senior officers (as defined by The Corporations Act) amounts to \$169,891 (1968—\$150,026).

General Bakeries Limited and subsidiary companies

Ten Year Financial Record

	1969	1968	1967	1966
OPERATIONS				
Income from operations - - - - \$	323,484	\$ 250,597	\$ 419,166	\$ 629,463
Equal per share to - - - -	.43	.34	.56	.84
Net income for the year - - - -	323,484	501,362†	419,166	629,463
Equal per share to * - - - -	.43	.67†	.56	.84
Dividends declared - - - -	187,500	187,500	187,500	187,500
Equal per share to * - - - -	.25	.25	.25	.25
FINANCIAL POSITION				
Current assets - - - - -	3,959,721	4,227,424	2,371,724	2,275,532
Current liabilities - - - - -	2,968,065	3,041,983	1,903,533	1,758,153
Working capital - - - - -	991,656	1,185,441	468,191	517,379
Special refundable tax - - - -	18,545	46,226	45,788	—
Fixed assets, less accumulated depreciation - -	4,704,183	4,308,233	4,657,059	4,492,993
Total assets - - - - -	8,682,450	8,581,884	7,074,572	6,768,526
Term bank loan - - - - -	—	—	225,000	300,000
First mortgage payable - - - -	270,000	270,000	—	—
First mortgage serial bonds - - -	—	—	—	—
Deferred income taxes - - - -	330,500	292,000	144,000	140,000
Shareholders' equity - - - - -	5,113,885	4,977,901	4,802,039	4,570,373
Equal per share to * - - - -	6.82	6.64	6.40	6.09

*Per share figures are adjusted to reflect three-for-one stock split effective July 2, 1964.

†Includes a non-recurring profit of \$250,765 on sale of western Canada businesses and expropriation of Toronto plant, equal per share to 33 cents.

1965	1964	1963	1962	1961	1960
\$ 602,040	\$ 501,324	\$ 361,495	\$ 302,078	\$ 240,975	\$ 251,486
.80	.67	.48	.40	.32	.33
602,040	501,324	361,495	302,078	240,975	251,486
.80	.67	.48	.40	.32	.33
159,375	125,000	100,000	100,000	100,000	87,500
.21¼	.17	.13	.13	.13	.12
2,067,185	2,086,495	1,926,094	1,683,492	1,549,053	1,677,575
1,374,556	1,567,198	1,503,159	1,419,994	1,314,902	1,236,106
692,629	519,297	422,935	263,498	234,151	441,469
—	—	—	—	—	—
3,986,780	3,906,447	3,766,485	3,804,427	3,661,696	3,713,403
6,053,966	5,992,943	5,692,580	5,487,920	5,210,750	5,390,979
450,000	700,000	800,000	900,000	890,000	1,250,000
—	—	—	—	—	—
—	40,000	80,000	120,000	160,000	200,000
101,000	—	—	—	—	—
4,128,410	3,685,745	3,309,421	3,047,926	2,845,848	2,704,873
5.50	4.91	4.41	4.06	3.79	3.61

General Bakeries Limited and subsidiary companies

Plants and Offices

Executive Offices

Mammy's Limited

Walker Bakeries Co. Limited

General Bakeries (N.B.), Limited

O'Malley's Limited

The Marra's Bread Limited

Ellenzweig Bakery Co. Limited

Wonder Bread Limited

St. John's

Dartmouth

Saint John

Montreal

Ottawa

Brockville

Kingston

Toronto

Orillia

Hamilton

London

Amherstburg

170 The Donway West

Don Mills, Ontario

General Bakeries has a single
purpose . . . the production
of the finest quality
bread and bakery
products . . . the consistent
development of high standards
of baking procedure and
bakery service for the benefit
of Canadians in the territories
served by your company.

